



HEALTH ANNUAL STATEMENT  
FOR THE YEAR ENDING DECEMBER 31, 2002  
OF THE CONDITION AND AFFAIRS OF THE  
Priority Health Government Programs

NAIC Group Code	3383 <small>(Current Period)</small>	0000 <small>(Prior Period)</small>	NAIC Company Code	11520	Employer's ID Number	32-0016523
Organized under the Laws of	Michigan			State of Domicile or Port of Entry	Michigan	
Country of Domicile	United States of America					
Licensed as business type:	Life, Accident & Health [ ]		Property/Casualty [ ]		Dental Service Corporation [ ]	
	Vision Service Corporation [ ]		Other [ ]		Health Maintenance Organization [ X ]	
	Hospital, Medical & Dental Service or Indemnity [ ]		Is HMO, Federally Qualified? Yes [ ] No [ X ]			
Incorporated	06/03/2002		Commenced Business		10/01/2002	
Statutory Home Office	1231 East Beltline NE <small>(Street and Number)</small>			Grand Rapids, MI 49525-4501 <small>(City or Town, State and Zip Code)</small>		
Main Administrative Office	1231 East Beltline NE <small>(Street and Number)</small>			Grand Rapids, MI 49525-4501 <small>(City or Town, State and Zip Code)</small>		
	616-942-0954 <small>(Area Code) (Telephone Number)</small>					
Mail Address	1231 East Beltline NE <small>(Street and Number or P.O. Box)</small>			Grand Rapids, MI 49525-4501 <small>(City or Town, State and Zip Code)</small>		
Primary Location of Books and Records	1231 East Beltline NE <small>(Street and Number)</small>			Grand Rapids, MI 49525-4501 <small>(City or Town, State and Zip Code)</small>		
	616-464-8235 <small>(Area Code) (Telephone Number)</small>					
Internet Website Address	www.priority-health.com					
Statement Contact	Malcolm Hall <small>(Name)</small>			616-464-8235 <small>(Area Code) (Telephone Number) (Extension)</small>		
	malcolm.hall@priority-health.com <small>(E-mail Address)</small>			616-942-7916 <small>(FAX Number)</small>		
Policyowner Relations Contact	1231 East Beltline NE <small>(Street and Number)</small>			Grand Rapids, MI 49525-4501 <small>(City or Town, State and Zip Code)</small>		
	616-942-1221 <small>(Area Code) (Telephone Number) (Extension)</small>					

OFFICERS

Chief Executive Officer	Kimberly K Horn #	Chief Financial Officer	Dennis J Reese #
Secretary	Judith W Hooyenga #		

VICE PRESIDENTS

Dennis J Reese #	Judith W Hooyenga #	James F Byrne #
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DIRECTORS OR TRUSTEES

State of Michigan } ss  
County of Kent }

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively.

Kimberly K Horn Chief Executive Officer	Dennis J Reese Chief Financial Officer	Judith W Hooyenga Secretary
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Subscribed and sworn to before me this	a. Is this an original filing?	Yes [ X ] No [ ]
28th day of February, 2003	b. If no	
	1. State the amendment number	
	2. Date filed	03/01/2003
	3. Number of pages attached	

Stacey Koning  
Notary  
08/26/2004

ASSETS

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets	4 Net Admitted Assets
1. Bonds .....	1,023,398		1,023,398	.0
2. Stocks:				
2.1 Preferred stocks .....	.0		.0	.0
2.2 Common stocks .....	.0		.0	.0
3. Mortgage loans on real estate:				
3.1 First liens .....			.0	.0
3.2 Other than first liens .....			.0	.0
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ ..... encumbrances).....			(a) .0	.0
4.2 Properties held for the production of income (less \$ ..... encumbrances) .....			.0	.0
4.3 Properties held for sale (less \$ ..... encumbrances) .....			.0	.0
5. Cash (\$ .....6,456,344 , Schedule E - Part 1) and short-term investments (\$ .....0 , Schedule DA - Part 2) .....	6,456,344		6,456,344	.0
6. Other long-term invested assets .....	.0		.0	.0
7. Receivable for securities .....			.0	.0
8. Aggregate write-ins for invested assets .....	.0	.0	.0	.0
9. Subtotals, cash and invested assets (Lines 1 to 8) .....	7,479,742	.0	7,479,742	.0
10. Accident and health premiums due and unpaid .....	110,084		110,084	.0
11. Health care receivables .....	383,340		383,340	.0
12. Amounts recoverable from reinsurers .....			.0	.0
13. Net adjustment in assets and liabilities due to foreign exchange rates .....			.0	.0
14. Investment income due and accrued .....	22,231		22,231	.0
15. Amounts due from parent, subsidiaries and affiliates .....	666,838		666,838	.0
16. Amounts receivable relating to uninsured accident and health plans .....			.0	.0
17. Furniture and equipment .....			.0	.0
18. Amounts due from agents .....			.0	.0
19. Federal and foreign income tax recoverable and interest thereon (including \$ .....net deferred tax asset) .....			.0	.0
20. Electronic data processing equipment and software .....			.0	.0
21. Other nonadmitted assets .....			.0	.0
22. Aggregate write-ins for other than invested assets .....	.0	.0	.0	.0
23. Total assets (Lines 9 plus 10 through 22)	8,662,235	0	8,662,235	0
DETAILS OF WRITE-INS				
0801. ....				
0802. ....				
0803. ....				
0898. Summary of remaining write-ins for Line 8 from overflow page .....	.0	.0	.0	.0
0899. Totals (Lines 0801 thru 0803 plus 0898)(Line 8 above)	0	0	0	0
2201. ....				
2202. ....				
2203. ....				
2298. Summary of remaining write-ins for Line 22 from overflow page .....	.0	.0	.0	.0
2299. Totals (Lines 2201 thru 2203 plus 2298)(Line 22 above)	0	0	0	0

(a) \$ ..... health care delivery assets included in Line 4.1, Column 3.

LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$ ..... reinsurance ceded)	2,627,186	450,788	3,077,974	0
2. Accrued medical incentive pool and bonus payments .....	7,338		7,338	0
3. Unpaid claims adjustment expenses .....	48,193	8,269	56,462	0
4. Aggregate policy reserves .....			0	0
5. Aggregate claim reserves .....			0	0
6. Premiums received in advance .....			0	0
7. General expenses due or accrued .....	24,769		24,769	0
8. Federal and foreign income tax payable and interest thereon (including \$ ..... on realized capital gains (losses)) (including \$ ..... net deferred tax liability) .....			0	0
9. Amounts withheld or retained for the account of others .....			0	0
10. Borrowed money (including \$ ..... current) and interest thereon \$ ..... (including \$ ..... current) .....			0	0
11. Amounts due to parent, subsidiaries and affiliates .....	1,974,942		1,974,942	0
12. Payable for securities .....			0	0
13. Funds held under reinsurance treaties with (\$ ..... authorized reinsurers and \$ ..... unauthorized reinsurers) .....			0	0
14. Reinsurance in unauthorized companies .....			0	0
15. Net adjustments in assets and liabilities due to foreign exchange rates .....			0	0
16. Liability for amounts held under uninsured accident and health plans .....			0	0
17. Aggregate write-ins for other liabilities (including \$ ..... current) .....	0	0	0	0
18 Total liabilities (Lines 1 to 17).....	4,682,428	459,057	5,141,485	0
19. Common capital stock .....	XXX	XXX		0
20 Preferred capital stock .....	XXX	XXX		0
21. Gross paid in and contributed surplus .....	XXX	XXX	4,000,000	0
22. Surplus notes .....	XXX	XXX		0
23. Aggregate write-ins for other than special surplus funds .....	XXX	XXX	0	0
24. Unassigned funds (surplus) .....	XXX	XXX	(479,250)	0
25. Less treasury stock, at cost:				
25.1 .....shares common (value included in Line 19 \$ ..... ) .....	XXX	XXX		0
25.2 .....shares preferred (value included in Line 20 \$ ..... ) .....	XXX	XXX		0
26. Total capital and surplus (Lines 19 to 24 Less 25) .....	XXX	XXX	3,520,750	0
27. Total liabilities, capital and surplus (Lines 18 and 26)	XXX	XXX	8,662,235	0
DETAILS OF WRITE-INS				
1701. ....				
1702. ....				
1703. ....				
1798. Summary of remaining write-ins for Line 17 from overflow page .....	0	0	0	0
1799. Totals (Lines 1701 thru 1703 plus 1798) (Line 17 above)	0	0	0	0
2301. ....	XXX	XXX		
2302. ....	XXX	XXX		
2303. ....	XXX	XXX		
2398. Summary of remaining write-ins for Line 23 from overflow page .....	XXX	XXX	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above)	XXX	XXX	0	0

STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months.....	XXX	74,677	0
2. Net premium income .....	XXX	9,222,575	0
3. Change in unearned premium reserves and reserve for rate credits .....	XXX		0
4. Fee-for-service (net of \$ ..... medical expenses) .....	XXX		0
5. Risk revenue .....	XXX		0
6. Aggregate write-ins for other health care related revenues .....	XXX	0	0
7. Total revenues (Lines 2 to 6) .....	XXX	9,222,575	0
Medical and Hospital:			
8. Hospital/medical benefits .....		4,196,225	0
9. Other professional services .....		36,218	0
10. Outside referrals .....		436,958	0
11. Emergency room and out-of-area .....		977,335	0
12. Prescription Drugs .....		2,639,690	
13. Aggregate write-ins for other medical and hospital .....	0	0	0
14. Incentive pool and withhold adjustments .....			0
15. Subtotal (Lines 8 to 14) .....	0	8,286,426	0
Less:			
16. Net reinsurance recoveries .....			0
17. Total medical and hospital (Lines 15 minus 16) .....	0	8,286,426	0
18. Claims adjustment expenses .....		480,214	0
19. General administrative expenses.....		963,184	0
20. Increase in reserves for accident and health contracts .....			0
21. Total underwriting deductions (Lines 17 through 20) .....	0	9,729,824	0
22. Net underwriting gain or (loss) (Lines 7 minus 21) .....	XXX	(507,249)	0
23. Net investment income earned .....		27,999	0
24. Net realized capital gains or (losses) .....			0
25. Net investment gains or (losses) (Lines 23 + 24) .....	0	27,999	0
26. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$ ..... ) (amount charged off \$ ..... )] .....			0
27. Aggregate write-ins for other income or expenses .....	0	0	0
28. Net income or (loss) before federal income taxes (Lines 22 plus 25 plus 26 plus 27) .....	0	(479,250)	0
29. Federal and foreign income taxes incurred .....	XXX		0
30. Net income (loss) (Lines 28 minus 29)	XXX	(479,250)	0
DETAILS OF WRITE-INS			
0601. ....	XXX		
0602. ....	XXX		
0603. ....	XXX		
0698. Summary of remaining write-ins for Line 6 from overflow page .....	XXX	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	XXX	0	0
1301. ....			
1302. ....			
1303. ....			
1398. Summary of remaining write-ins for Line 13 from overflow page .....	0	0	0
1399. Totals (Lines 1301 thru 1303 plus 1398) (Line 13 above)	0	0	0
2701. ....			
2702. ....			
2703. ....			
2798. Summary of remaining write-ins for Line 27 from overflow page .....	0	0	0
2799. Totals (Lines 2701 thru 2703 plus 2798) (Line 27 above)	0	0	0

CAPITAL AND SURPLUS ACCOUNT

	1 Current Year	2 Prior Year
<b>CAPITAL AND SURPLUS ACCOUNT:</b>		
31. Capital and surplus prior reporting year .....	0	0
<b>GAINS AND LOSSES TO CAPITAL &amp; SURPLUS:</b>		
32. Net income or (loss) from Line 30 .....	(479,250)	0
33. Change in valuation basis of aggregate policy and claim reserve .....		0
34. Net unrealized capital gains and losses .....		0
35. Change in net unrealized foreign exchange capital gain or (loss) .....		0
36. Change in net deferred income tax .....		0
37. Change in nonadmitted assets .....		0
38. Change in unauthorized reinsurance .....	0	0
39. Change in treasury stock .....		0
40. Change in surplus notes .....	0	0
41. Cumulative effect of changes in accounting principles .....		0
42. Capital Changes:		
42.1 Paid in .....	0	0
42.2 Transferred from surplus (Stock Dividend) .....		0
42.3 Transferred to surplus .....	0	0
43. Surplus adjustments:		
43.1 Paid in .....	4,000,000	0
43.2 Transferred to capital (Stock Dividend) .....		0
43.3 Transferred from capital .....		0
44. Dividends to stockholders .....		0
45. Aggregate write-ins for gains or (losses) in surplus .....	0	0
46. Net change in capital & surplus (Lines 32 to 45) .....	3,520,750	0
47. Capital and surplus end of reporting year (Line 31 plus 46)	3,520,750	0
<b>DETAILS OF WRITE-INS</b>		
4501. ....		
4502. ....		
4503. ....		
4598. Summary of remaining write-ins for Line 45 from overflow page .....	0	0
4599. Totals (Lines 4501 thru 4503 plus 4598) (Line 45 above)	0	0

CASH FLOW

	1 Current Year	2 Prior Year
<b>Cash from Operations</b>		
1. Premiums and revenues collected net of reinsurance .....	9,112,491	0
2. Claims and claims adjustment expenses .....	5,624,866	0
3. General administrative expenses paid .....	938,415	0
4. Other underwriting income (expenses) .....	0	0
5. Cash from underwriting (Line 1 minus Line 2 minus Line 3 plus Line 4) .....	2,549,210	0
6. Net investment income .....	5,768	0
7. Other income (expenses) .....	0	0
8. Federal and foreign income taxes (paid) recovered .....	0	0
9. Net cash from operations (Lines 5 to 8) .....	2,554,978	0
<b>Cash from Investments</b>		
10. Proceeds from investments sold, matured or repaid:		
10.1 Bonds .....	0	0
10.2 Stocks .....	0	0
10.3 Mortgage loans .....	0	0
10.4 Real estate .....	0	0
10.5 Other invested assets .....	0	0
10.6 Net gains or (losses) on cash and short-term investments .....	0	0
10.7 Miscellaneous proceeds .....	0	0
10.8 Total investment proceeds (Lines 10.1 to 10.7) .....	0	0
11. Cost of investments acquired (long-term only):		
11.1 Bonds .....	1,023,398	0
11.2 Stocks .....	0	0
11.3 Mortgage loans .....	0	0
11.4 Real estate .....	0	0
11.5 Other invested assets .....	0	0
11.6 Miscellaneous applications .....	0	0
11.7 Total investments acquired (Lines 11.1 to 11.6) .....	1,023,398	0
12. Net Cash from investments (Line 10.8 minus Line 11.7) .....	(1,023,398)	0
<b>Cash from Financing and Miscellaneous Sources</b>		
13. Cash provided:		
13.1 Surplus notes, capital and surplus paid in .....	4,000,000	0
13.2 Net transfers from affiliates .....	1,308,104	0
13.3 Borrowed funds received .....	0	0
13.4 Other cash provided .....	0	0
13.5 Total (Lines 13.1 to 13.4) .....	5,308,104	0
14. Cash applied:		
14.1 Dividends to stockholders paid .....	0	0
14.2 Net transfers to affiliates .....	0	0
14.3 Borrowed funds repaid .....	0	0
14.4 Other applications .....	383,340	0
14.5 Total (Lines 14.1 to 14.4) .....	383,340	0
15. Net cash from financing and miscellaneous sources (Line 13.5 minus Line 14.5) .....	4,924,764	0
<b>RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS</b>		
16. Net change in cash and short-term investments (Line 9 plus Line 12 plus Line 15) .....	6,456,344	0
17. Cash and short-term investments:		
17.1 Beginning of year .....	0	0
17.2 End of year (Line 16 plus Line 17.1) .....	6,456,344	0

ANNUAL STATEMENT FOR THE YEAR 2002 OF THE Priority Health Government Programs

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS (Gain and Loss Exhibit)

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Total	Comprehensive (Hospital & Medical)	Medical Only	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-term Care	Other
1. Net premium income .....	9,222,575								9,018,503				204,072
2. Change in unearned premium reserves and reserve for rate credit .....	0												
3. Fee-for-service (net of \$ ..... medical expenses) .....	0												
4. Risk revenue.....	0												
5. Aggregate write-ins for other health care related revenues .....	0	0	0	0	0	0	0	0	0	0	0	0	0
6. Total revenues (Lines 1 to 5).....	9,222,575	0	0	0	0	0	0	0	9,018,503	0	0	0	204,072
7. Medical/hospital benefits .....	4,196,225								4,142,709				53,516
8. Other professional services .....	36,218								35,322		0		896
9. Outside referrals .....	436,958								428,840				8,118
10. Emergency room and out-of-area .....	977,335								972,030				5,305
11. Prescription Drugs .....	2,639,690								2,589,654				50,036
12. Aggregate write-ins for other medical and hospital .....	0	0	0	0	0	0	0	0	0	0	0	0	0
13. Incentive pool and withhold adjustments .....	0												
14. Subtotal (Lines 7 to 13) .....	8,286,426	0	0	0	0	0	0	0	8,168,556	0	0	0	117,870
15. Net reinsurance recoveries .....	0												
16. Total medical and hospital (Lines 14 minus 15) .....	8,286,426	0	0	0	0	0	0	0	8,168,556	0	0	0	117,870
17. Claims adjustment expenses .....	480,214								463,625				16,589
18. General administrative expenses .....	963,184								925,632				37,552
19. Increase in reserves for accident and health contracts .....	0												
20. Total underwriting deductions (Lines 16 to 19) .....	9,729,824	0	0	0	0	0	0	0	9,557,813	0	0	0	172,011
21. Total underwriting gain or (loss) (Line 6 minus Line 20) .....	(507,249)	0	0	0	0	0	0	0	(539,310)	0	0	0	32,061
DETAILS OF WRITE-INS													
0501. ....													
0502. ....													
0503. ....													
0598. Summary of remaining write-ins for Line 5 from overflow page .....	0	0	0	0	0	0	0	0	0	0	0	0	0
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above) .....	0	0	0	0	0	0	0	0	0	0	0	0	0
1201. ....													
1202. ....													
1203. ....													
1298. Summary of remaining write-ins for Line 12 from overflow page .....	0	0	0	0	0	0	0	0	0	0	0	0	0
1299. Totals (Lines 1201 thru 1203 plus 1298) (Line 12 above) .....	0	0	0	0	0	0	0	0	0	0	0	0	0

UNDERWRITING AND INVESTMENT EXHIBIT  
PART 1 - PREMIUMS

	1	2	3	4
Line of Business	Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Cols. 1+2-3)
1. Comprehensive (medical and hospital) .....				.0
2. Medicare Supplement .....				.0
3. Dental Only.....				.0
4. Vision Only.....				.0
5. Federal Employees Health Benefits Plan Premiums .....				.0
6. Title XVIII - Medicare .....				.0
7. Title XIX - Medicaid.....	9,037,569		19,066	9,018,503
8. Other .....	204,846		774	204,072
9. Totals	9,242,415	0	19,840	9,222,575



UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - Claims Incurred During the Year

	1	2	3	4	5	6	7	8	9
	Total	Comprehensive (Medical & Hospital)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan Premium	Title XVIII Medicare	Title XIX Medicaid	Other
1. Payments during the year:									
1.1 Direct .....	5,201,114							5,083,244	117,870
1.2 Reinsurance assumed .....	.0								
1.3 Reinsurance ceded .....	.0								
1.4 Net .....	5,201,114	.0	.0	.0	.0	.0	.0	5,083,244	117,870
2. Paid medical incentive pools and bonuses .....	.0								
3. Claim liability December 31, current year from Part 2A:									
3.1 Direct .....	3,077,974	.0	.0	.0	.0	.0	.0	3,077,974	.0
3.3 Reinsurance assumed .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
3.3 Reinsurance ceded .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
3.4 Net .....	3,077,974	.0	.0	.0	.0	.0	.0	3,077,974	.0
4. Claim reserve December 31, current year from Part 2D:									
4.1 Direct .....	.0							.0	
4.2 Reinsurance assumed .....	.0								
4.3 Reinsurance ceded .....	.0								
4.4 Net .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
5. Accrued medical incentive pools and bonuses, current year .....	7,338							7,338	
6. Amounts recoverable from reinsurers December 31, current year .....	.0								
7. Claim liability December 31, prior year from Part 2A:									
7.1 Direct .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
7.2 Reinsurance assumed .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
7.3 Reinsurance ceded .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
7.4 Net .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
8. Claim reserve December 31, prior year from Part 2D:									
8.1 Direct .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
8.2 Reinsurance assumed .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
8.3 Reinsurance ceded .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
8.4 Net .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
9. Accrued medical incentive pools and bonuses, prior year .....	.0								
10. Amounts recoverable from reinsurers December 31, prior year .....	0								
11. Incurred Benefits:									
11.1 Direct .....	8,279,088	.0	.0	.0	.0	.0	.0	8,161,218	117,870
11.2 Reinsurance assumed .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
11.3 Reinsurance ceded .....	0	0	0	0	0	0	0	0	0
11.4 Net .....	8,279,088	0	0	0	0	0	0	8,161,218	117,870
12. Incurred medical incentive pools and bonuses .....	7,338	0	0	0	0	0	0	7,338	0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - Claims Liability End of Current Year

	1	2	3	4	5	6	7	8	9
	Total	Comprehensive (Medical & Hospital)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan Premium	Title XVIII Medicare	Title XIX Medicaid	Other
1. Reported in Process of Adjustment:									
1.1. Direct .....	653,084							653,084	
1.2. Reinsurance assumed .....	.0								
1.3. Reinsurance ceded .....	.0								
1.4. Net .....	653,084	.0	.0	.0	.0	.0	.0	653,084	.0
2. Incurred but Unreported:									
2.1. Direct .....	2,377,951							2,377,951	
2.2. Reinsurance assumed .....	.0								
2.3. Reinsurance ceded .....	.0								
2.4. Net .....	2,377,951	.0	.0	.0	.0	.0	.0	2,377,951	.0
3. Amounts Withheld from Paid Claims and Capitations:									
3.1. Direct .....	46,939							46,939	
3.2. Reinsurance assumed .....	.0								
3.3. Reinsurance ceded .....	.0								
3.4. Net .....	46,939	.0	.0	.0	.0	.0	.0	46,939	.0
4. TOTALS:									
4.1. Direct .....	3,077,974	.0	.0	.0	.0	.0	.0	3,077,974	.0
4.2. Reinsurance assumed .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
4.3. Reinsurance ceded .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
4.4. Net .....	3,077,974	0	0	0	0	0	0	3,077,974	0

UNDERWRITING AND INVESTMENT EXHIBIT  
PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability Dec. 31 of Current Year		5  Claims Incurred in Prior Years (Columns 1 + 3)	6  Estimated Claim Reserve and Claim Liability December 31 of Prior Year
	1  On Claims Incurred Prior to January 1 of Current Year	2  On Claims Incurred During the Year	3  On Claims Unpaid December 31 of Prior Year	4  On Claims Incurred During the Year		
1. Comprehensive (medical and hospital) .....					0	0
2. Medicare Supplement .....					0	0
3. Dental Only.....					0	0
4. Vision Only.....					0	0
5. Federal Employees Health Benefits Plan Premiums .....					0	0
6. Title XVIII - Medicare .....					0	0
7. Title XIX - Medicaid.....		5,082,314	0	3,134,436	0	0
8. Other .....		117,870			0	0
9. Subtotal .....	0	5,200,184	0	3,134,436	0	0
10. Medical incentive pools, accruals and disbursements .....				7,338	0	0
11. Totals	0	5,200,184	0	3,141,774	0	0

**STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2002 OF THE Priority Health Government Programs**

## UNDERWRITING AND INVESTMENT EXHIBIT

## PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

**(000 Omitted)**

## Section A - Paid Claims - Title XIX Medicaid

Year in Which Losses Were Incurred	Net Amounts Paid				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior .....	0	0	0	0	
2. 1998 .....	0	0	0	0	
3. 1999 .....	XXX	0	0	0	
4. 2000 .....	XXX	XXX	0	0	
5. 2001 .....	XXX	XXX	XXX	0	
6. 2002 .....	XXX	XXX	XXX	XXX	5,193

## Section B - Incurred Claims- Title XIX Medicaid

Year in Which Losses Were Incurred	Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior .....	0	0	0	0	
2. 1998 .....	0	0	0	0	
3. 1999 .....	XXX	0	0	0	
4. 2000 .....	XXX	XXX	0	0	
5. 2001 .....	XXX	XXX	XXX	0	
6. 2002 .....	XXX	XXX	XXX	XXX	8,327

### Section C – Incurred Year Claims and Claims Adjustment Expense Ratio – Title XIX Medicaid

[illegible]

**STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2002 OF THE Priority Health Government Programs**

## UNDERWRITING AND INVESTMENT EXHIBIT

## PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

**(000 Omitted)**

## Section A - Paid Claims- Grand Total

Year in Which Losses Were Incurred	Net Amounts Paid				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior .....	0	0	0	0	0
2. 1998 .....	0	0	0	0	0
3. 1999 .....	XXX	0	0	0	0
4. 2000 .....	XXX	XXX	0	0	0
5. 2001 .....	XXX	XXX	XXX	0	0
6. 2002 .....	XXX	XXX	XXX	XXX	5,193

## Section B - Incurred Claims - Grand Total

Year in Which Losses Were Incurred	Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior .....	0	0	0	0	0
2. 1998 .....	0	0	0	0	0
3. 1999 .....	XXX	0	0	0	0
4. 2000 .....	XXX	XXX	0	0	0
5. 2001 .....	XXX	XXX	XXX	0	0
6. 2002 .....	XXX	XXX	XXX	XXX	8,327

## Section C – Incurred Year Claims and Claims Adjustment Expense Ratio – Grand Total

[illegible]

ANNUAL STATEMENT FOR THE YEAR 2002 OF THE Priority Health Government Programs

UNDERWRITING AND INVESTMENT EXHIBIT  
PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS

	1	2	3	4	5	6	7	8	9
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other
POLICY RESERVE									
1. Unearned premium reserves .....	.0								
2. Additional policy reserves (a) .....	.0								
3. Reserve for future contingent benefits .....	.0								
4. Reserve for rate credits or experience rating refunds (including \$ ..... for investment income) .....	.0								
5. Aggregate write-ins for other policy reserves .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
6. Totals (Gross) .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
7. Reinsurance ceded .....	.0								
8. Totals (Net)(Page 3, Line 4)	0	0	0	0	0	0	0	0	0
CLAIM RESERVE									
9. Present value of amounts not yet due on claims .....	.0								
10. Reserve for future contingent benefits .....	.0							.0	
11. Aggregate write-ins for other claim reserves .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
12. Totals (Gross) .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
13. Reinsurance ceded .....	.0								
14. Totals (Net)(Page 3, Line 5)	0	0	0	0	0	0	0	0	0
DETAILS OF WRITE-INS									
0501. ....									
0502. ....									
0503. ....									
0598. Summary of remaining write-ins for Line 5 from overflow page .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
0599. TOTALS (Lines 0501 thru 0503 plus 0598) (Line 5 above)	0	0	0	0	0	0	0	0	0
1101. ....									
1102. ....									
1103. ....									
1198. Summary of remaining write-ins for Line 11 from overflow page .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
1199. TOTALS (Lines 1101 thru 1103 plus 1198) (Line 11 above)	0	0	0	0	0	0	0	0	0

(a) Includes \$ ..... premium deficiency reserve.

UNDERWRITING AND INVESTMENT EXHIBIT  
PART 3 - ANALYSIS OF EXPENSES

	1 Claim Adjustment Expenses	2 General Administration Expenses	3 Investment Expenses	4 Total
1. Rent (\$ ..... for occupancy of own building).....	4,813	74,483		79,296
2. Salaries, wages and other benefits.....	452,622	418,783		871,405
3. Commissions (less \$ ..... ceded plus \$ ..... assumed).....				0
4. Legal fees and expenses.....	13	3,726		3,739
5. Certifications and accreditation fees.....				0
6. Auditing, actuarial and other consulting services.....	707	30,707		31,414
7. Traveling expenses.....	73	9,759		9,832
8. Marketing and advertising.....	115	19,659		19,774
9. Postage, express and telephone.....	1,159	39,512		40,671
10. Printing and office supplies.....	2,247	49,162		51,409
11. Occupancy, depreciation and amortization.....	438	4,743	0	5,181
12. Equipment.....	666	106,787		107,453
13. Cost or depreciation of EDP equipment and software.....				0
14. Outsourced services including EDP, claims, and other services.....	15,305	119,661		134,966
15. Boards, bureaus and association fees.....	7	4,152		4,159
16. Insurance, except on real estate.....	2	1,171		1,173
17. Collection and bank service charges.....	3	1,001		1,004
18. Group service and administration fees.....	52	14,442		14,494
19. Reimbursements by uninsured accident and health plans.....				0
20. Reimbursements from fiscal intermediaries.....				0
21. Real estate expenses.....				0
22. Real estate taxes.....				0
23. Taxes, licenses and fees:				
23.1 State and local insurance taxes.....				0
23.2 State premium taxes.....				0
23.3 Regulatory authority licenses and fees.....				0
23.4 Payroll taxes.....	1,817	49,215		51,032
23.5 Other (excluding federal income and real estate taxes).....	175	12,950	0	13,125
24. Investment expenses not included elsewhere.....				0
25. Aggregate write-ins for expenses.....	0	3,271	0	3,271
26. Total expenses incurred (Lines 1 to 25).....	480,214	963,184	0 (a)	1,443,398
27. Add expenses unpaid December 31, prior year.....				0
28. Less expenses unpaid December 31, current year.....	56,462	24,769		81,231
29. Amounts receivable related to uninsured accident and health plans, prior year.....				0
30. Amounts receivable related to uninsured accident and health plans, current year.....				0
31. Total expenses paid (Lines 26 + 27 - 28 - 29 + 30)	423,752	938,415	0	1,362,167
DETAIL OF WRITE-INS				
2501. Donations and Philanthropy.....		3,271		3,271
2502. ....				
2503. ....				
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0	0
2599. Totals (Line 2501 thru 2503 plus 2598)(Line 25 above)	0	3,271	0	3,271

(a) Includes management fees of \$ .....1,395,205 to affiliates and \$ .....to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1	2
		Collected During Year	Earned During Year
1.	U.S. Government bonds .....	(a) .....	.....
1.1	Bonds exempt from U.S. tax .....	(a) .....	.....
1.2	Other bonds (unaffiliated) .....	(a) .....0	22,231
1.3	Bonds of affiliates .....	(a) .....	.....
2.1	Preferred stocks (unaffiliated) .....	(b) .....	.....
2.11	Preferred stocks of affiliates .....	(b) .....	.....
2.2	Common stocks (unaffiliated) .....	.....	.....
2.21	Common stocks of affiliates .....	.....	.....
3.	Mortgage loans .....	(c) .....	.....
4.	Real estate .....	(d) .....	.....
5.	Contract loans .....	.....	.....
6.	Cash/short-term investments .....	(e) .....5,768	5,768
7.	Derivative instruments .....	(f) .....	.....
8.	Other invested assets .....	.....	.....
9.	Aggregate write-ins for investment income .....	.....0	0
10.	Total gross investment income .....	5,768	27,999
11.	Investment expenses .....		(g) .....0
12.	Investment taxes, licenses and fees, excluding federal income taxes .....		(g) .....
13.	Interest expense .....		(h) .....0
14.	Depreciation on real estate and other invested assets .....		(i) .....
15.	Aggregate write-ins for deductions from investment income .....		.....0
16.	Total (Lines 11 through 15) .....		.....0
17.	Net Investment Income - (Line 10 minus Line 16) .....		27,999
DETAILS OF WRITE-INS			
0901.	.....	.....	.....
0902.	.....	.....	.....
0903.	.....	.....	.....
0998.	Summary of remaining write-ins for Line 9 from overflow page .....	.....0	.....0
0999.	Totals (Lines 0901 through 0903 plus 0998) (Line 9, above) .....	0	0
1501.	.....		.....
1502.	.....		.....
1503.	.....		.....
1598.	Summary of remaining write-ins for Line 15 from overflow page .....		.....0
1599.	Total (Lines 1501 through 1503 plus 1598) (Line 15, above) .....		0

(a) Includes \$ .....accrual of discount less \$ .....amortization of premium and less \$ .....paid for accrued interest on purchases.  
(b) Includes \$ .....accrual of discount less \$ .....amortization of premium and less \$ .....paid for accrued dividends on purchases.  
(c) Includes \$ .....accrual of discount less \$ .....amortization of premium and less \$ .....paid for accrued interest on purchases.  
(d) Includes \$ .....for company's occupancy of its own buildings; and excludes \$ .....interest on encumbrances.  
(e) Includes \$ .....accrual of discount less \$ .....amortization of premium and less \$ .....paid for accrued interest on purchases.  
(f) Includes \$ .....accrual of discount less \$ .....amortization of premium.  
(g) Includes \$ .....investment expenses and \$ .....investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.  
(h) Includes \$ .....interest on surplus notes and \$ .....interest on capital notes.  
(i) Includes \$ .....depreciation on real estate and \$ .....depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1	2	3	4	5
		Realized Gain (Loss) On Sales or Maturity	Other Realized Adjustments	Increases (Decreases) by Adjustment	Net Gain (Loss) from Change in Difference Between Basis Book/ Adjusted Carrying and Admitted Values	Total
1.	U.S. Government bonds .....					
1.1	Bonds exempt from U.S. tax .....					
1.2	Other bonds (unaffiliated) .....					
1.3	Bonds of affiliates .....					
2.1	Preferred stocks (unaffiliated) .....					
2.11	Preferred stocks of affiliates .....					
2.2	Common stocks (unaffiliated) .....					
2.21	Common stocks of affiliates .....					
3.	Mortgage loans .....					
4.	Real estate .....					
5.	Contract loans .....					
6.	Cash/Short-term investments .....					
7.	Derivative instruments .....					
8.	Other invested assets .....					
9.	Aggregate write-ins for capital gains (losses) .....					
10.	Total capital gains (losses) .....					
DETAILS OF WRITE-INS						
0901.	.....					
0902.	.....					
0903.	.....					
0998.	Summary of remaining write-ins for Line 9 from overflow page .....					
0999.	Totals (Lines 0901 through 0903 plus 0998) (Line 9, above) .....					



EXHIBIT 1 - ANALYSIS OF NONADMITTED ASSETS AND RELATED ITEMS

	1 End of Current Year	2 End of Prior Year	3 Changes for Year (Increase) or Decrease
1. Summary of Items Page 2, Lines 10 to 13 and 15 to 20, Column 2 .....			
2. Other Non-Admitted Assets:			
2.1 Bills receivable.....			
2.2 Leasehold improvements.....			
2.3 Cash advanced to or in hands of officers and agents.....			
2.4 Loans on personal security, endorsed or not.....			
2.5 Commuted commissions.....			
3. Total (Lines 2.1 to 2.5) .....			
4. Aggregate write-ins for other assets.....			
5. Total (Line 1 plus Lines 3 and Line 4)			
0401. ....			
0402. ....			
0403. ....			
0498. Summary of remaining write-ins for Line 4 from overflow page .....			
0499. Totals (Lines 0401 thru 0403 plus 0498) (Line 4 above)			

NONE

EXHIBIT 2 - ENROLLMENT BY PRODUCT TYPE

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health Maintenance Organizations.....	.0					
2. Provider Service Organizations.....	.0					
3. Preferred Provider Organizations.....	.0					
4. Point of Service.....	.0					
5. Indemnity Only.....	.0					
6. Aggregate write-ins for other lines of business	0	0	0	0	22,202	74,677
7. Total	0	0	0	0	22,202	74,677
DETAILS OF WRITE-INS						
0601. Medicaid.....	.0				21,225	71,774
0602. MiChild.....	.0				977	2,903
0603. ....						
0698. Summary of remaining write-ins for Line 6 from overflow page .....	.0	.0	.0	.0	.0	.0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	0	0	0	0	22,202	74,677

## NOTES TO FINANCIAL STATEMENTS

### 1. Organization and Significant Accounting Policies

#### A. Nature of Organization and Ownership

Priority Health Government Programs, Inc., (PHGP or the Plan) a nonprofit HMO established effective October 1, 2002, is a wholly owned subsidiary of Priority Health. Priority Health Government Programs, Inc currently has over 22,000 Medicaid and MICHild members. PHGP provides coverage for medical, hospital and other health care services to its members through contracts executed with various health care providers. Priority Health Government Programs, Inc., offers health coverage to Medicaid and MICHild subscribers as a health insurance product in conjunction with the State of Michigan's programs.

Priority Health is a nonprofit, nontaxable health maintenance organization owned primarily by Spectrum Health (Spectrum, the 76% shareholder), Holland Community Hospital, Munson Healthcare and Healthshare, Inc. As Priority Health is the sole shareholder of PHGP, the operations of the plan are reflected in its own financial statements in accordance with prescribed accounting practices and procedures.

The agreements with certain participating providers call for reimbursement at various capitated rates or percentages of fees, less applicable member copayments, coinsurance or deductibles, on a current basis. The agreements provide for contingent reimbursement to participating providers based upon the results of operations within their defined risk pool. In the event the risk pool's utilization of medical costs is less than budgeted levels, the providers may share in the surplus, as defined in their respective agreements, and be eligible for the return of previously withheld fees. In addition, the Plan provides for a quality incentive to be paid to certain providers contingent upon achieving specified quality goals.

PHGP's statutory-basis financial statements are prepared in accordance with accounting practices prescribed or permitted by the Michigan Insurance Bureau. Currently, prescribed statutory accounting practices are interspersed throughout state insurance laws and regulations, the NAIC's *Accounting Practices and Procedures Manual* and a variety of other NAIC publications. Permitted statutory accounting practices encompass all accounting practices that are not prescribed; such practices may differ from state to state, may differ from company to company within a state and may change in the future.

The NAIC has revised the *Accounting Practices and Procedures Manual* in a process referred to as Codification. The revised manual became effective on January 1, 2001. Michigan has not yet adopted the provisions of the revised manual for Health Maintenance Organization (HMO) as of December 31, 2002. Codification will be transitioned into the reporting required by the State of Michigan Office of Insurance and Financial Services (OFIS) beginning January 1, 2003. HMOs including Priority Health Government Programs, Inc. will continue to follow previous statutory accounting practices and procedures as prescribed and permitted by the regulating authority. The revised manual will change, to some extent, prescribed statutory accounting practices and will result in changes to the accounting practices that the Plan uses to prepare its statutory-basis financial statements. The cumulative effect of changes in accounting principles adopted to conform to the revised *Accounting Practices and Procedures Manual* will be reported as an adjustment to surplus as of the first of the period upon its adoption. Management has determined that, although the implementation of Codification will have some negative effect on PHGP's statutory-basis capital and surplus upon its adoption. The effects include, but are not limited to, the non admission of some pharmacy rebates receivables and the limitation on admitted EDP equipment. However, the Plan will remain in compliance with all regulatory and contractual obligations.

#### B. Use of Estimates

The preparation of financial statements of insurance companies requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein.

#### C. Accounting Policy

1. All short-term investments have been classified in accordance with National Association of Insurance Commissioners (NAIC) guidelines and are stated at amortized cost for financial statement disclosure. Currently, the Plan does not hold any short term investments.
2. Investments consist of bonds that are carried at amortized cost. The cost of bonds is adjusted for amortization of premiums and discounts to maturity using a level-yield method. Realized gains and losses are determined using the specific identification method and are included in operations. The fair value of investments is determined based upon quoted market prices. Currently, the Plan does not hold any long term bonds or other investments outside of the statutory requirements.
3. Common Stocks are Not Applicable
4. Preferred Stocks are Not Applicable
5. Mortgage loans are Not Applicable
6. Loan-backed securities are Not applicable
7. The Plan does not have investments in subsidiaries, controlled, affiliated companies.
8. The Plan does not have minor ownership interests in joint ventures.
9. Derivatives are not held by the Plan and therefore this disclosure is Not Applicable.
10. and 11. Under traditional arrangements, health care costs are recognized as expenses when services are rendered including, based on historical data, an estimate of costs incurred, but not reported at the balance sheet date. Under capitation arrangements, health care costs are recognized when accruable under the providers' respective agreements. Adjustments to previously rendered claims reserve estimates are reflected in the statement of operations in the period in which the estimates are revised. Such reserve adjustments consist of restatements of claims estimates and changes in margin associated with these estimates and could be material in the future. Given the

NOTES TO FINANCIAL STATEMENTS

nature of the health care costs and provider billing requirements, as defined by the participating providers’ agreements, amounts accrued at year-end are paid predominantly in the following year.

2. Accounting Changes and Correction of Errors

A. Material Changes in Accounting Principles

The Plan does not have any material changes in accounting principles and/or correction of errors in the reporting period.

B. Cumulative Effect of Changes for the Implementation of Codification

The State of Michigan has not yet adopted the provisions of the revised manual for Health Maintenance Organization (HMO). HMOs including Priority Health Government Programs, Inc, will continue to follow previous statutory accounting practices and procedures until the effective date of Codification, January 1, 2003. The revised manual will change, to some extent, prescribed statutory accounting practices and will result in changes to the accounting practices that Priority Health Government Programs, Inc, uses to prepare its statutory-basis financial statements. The Plan will continue to follow previous statutory accounting practices and procedures through the December 31, 2002 reporting date.

3. Business Combinations and Goodwill

- A. Not Applicable
- B. Not Applicable
- C. Not Applicable

4. Discontinued Operations

The Plan has no Discontinued Operations to report.

5. Investments

- A. Mortgage Loans -- Not Applicable
- B. Debt Restructuring -- Not Applicable
- C. Reverse Mortgages -- Not Applicable
- D. Loan-backed securities -- Not Applicable
- E. Repurchase Agreements -- Not Applicable

6. Joint Ventures, Partnerships and Limited Liability Companies

The Plan has no Joint Ventures, Partnerships, or Limited Liabilities Companies to Report.

7. Investment Income

This note is Not Applicable to the Plan as no income due is past its due date.

8. Derivative Instruments

This note is Not Applicable to the Plan.

9. Income Taxes

The Plan has engaged in the process to achieve an exemption from federal income taxes as an organization described under Internal Revenue Code Section 501(c)(4). Therefore, income tax expense has not been recorded.

10. Information Concerning Parent, Subsidiaries, and Affiliates

A, B, C, D, E, F, G

The Plan has a management contract with Priority Health Managed Benefits, Inc. to provide certain management services. The management fee incurred by the Plan was \$ 1,395,000 in 2002.

Rental payments for operating leases are being paid by Priority Health Managed Benefits, Inc., an organization related to the Plan through common ownership, as part of the management contract.

Health care costs approximating \$2,377,000 in 2002 were provided to plan members by related organizations.

Amounts due from affiliates of \$ 667,000 at December 31, 2002 represent receivables from affiliated hospital providers and subsidiaries. Amounts due to affiliates of \$1,975,000 at December 31, 2002 are related to amounts owed under the management agreement and contractual obligations under provider participation agreements.

- H--None
- I---None
- J -- None

11. Debt

The Plan does not have Capital Notes nor any other type of debt, therefore, this note is Not Applicable.

NOTES TO FINANCIAL STATEMENTS

12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans

This note is Not Applicable to the Plan.

13. Capital and Surplus, Shareholder’s Dividend Restrictions, and Quasi-Reorganizations

The Plan has 60,000 authorized shares of common stock. No shares of stock have been issued at this time. The Plan has no preferred stock authorized. All stock is non-dividend bearing.

The remainder of this note’s disclosure is Not Applicable.

14. Contingencies

- A.The Plan does not have any commitments or contingent commitments to a SCA entity, joint venture, partnership, or limited liability company at this time.
- B.Assessments are likewise Not Applicable.
- C.Gain Contingencies are Not Applicable.
- D.All Other Contingencies are Not Applicable.

15. Leases

A.Lessee Operating Lease

- 1. In the course of business, The Plan does not enter into leases directly. The Plan’s management company does lease office space, office equipment, and computer hardware/software under various operating lease agreements that expire over various periods of time. Rental expense for 2001 and 2002 was approximately \$3,902,000, and \$6,970,000, respectively. The Plan pays the management company for the fully allocated cost for these leases as described in the Management Agreement.

- 2. At January 1, 2003, the aggregate rental commitments of the Plan’s management company are as follows:

Year Ending December 31 Operating Leases

1.	2003	\$2,474,641
2.	2004	\$2,589,942
3.	2005	\$2,519,975
4.	2006	\$1,371,839
5.	2007	\$1,176,501
6.	2008	\$1,176,501

- 3. The company is not involved in any sales--leaseback transactions.

B. Lessor Leases

This note is Not Applicable to the Plan.

16. Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk

This note is Not Applicable to the Plan.

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

This note is Not Applicable to the Plan.

18. Gain of Loss to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans

This note is Not Applicable to the Plan.

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

This note is Not Applicable to the Plan.

20. September 11 Events

No direct impact to the Plan’s operations has been recognized as a result of the September 11 events.

21. Other Items

The Plan does not have Extraordinary Items, Troubled Debt Restructuring, or other items indicated as a requirement for disclosure.

22. Events Subsequent

There are no subsequent events to report for the Plan.

23. Reinsurance

NOTES TO FINANCIAL STATEMENTS

- A.Not Applicable
- B.Not Applicable
- C.None
- D.Not Applicable
- E.Not Applicable
- F.Not Applicable

24. Retrospectively Rated Contracts & Contracts Subject to Redetermination

This note is Not Applicable to the Plan.

25. Change in Incurred Claims and Claim Adjustment Expenses

Adjustments to previously rendered claims reserve estimates are reflected in the statement of activities in the period in which the estimates are revised. Such reserve adjustments consist of restatements of claim estimates and release of any margin associated with these estimates. Reserve adjustments will be restated in future periods and disclosed as required.

26. Intercompany Pooling Arrangements

This note is Not Applicable to the Plan.

27. Structured Settlements

This note is Not Applicable to the Plan.

28. Health Care Receivables

As the State of Michigan has not formally adopted Codification to be effective at December 31, 2002, the required disclosures of SSAP No. 84 are not applicable at this time.

A. The Plan’s method for estimating pharmacy rebates relies on the information provided by the pharmacy rebates manager for invoiced rebates. The Plan’s pharmacy rebates are collected by its parent company and are therefore included in amounts due from affiliates.

B.This note is Not Applicable to the Plan.

29. Participating Policies

This note is Not Applicable to the Plan.

30. Premium Deficiency Reserves

The Plan does not record premium deficiency reserves in its financial statements.

31. Anticipated Salvage and Subrogation

The Plan does not estimate anticipated salvage and subrogation nor reduce any amount from its liability for unpaid claims or losses.

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	1 Amount	2 Percentage	3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. Treasury securities .....	1,023,398	13.682	1,023,398	13.682
1.2 U.S. government agency and corporate obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies .....		0.000		0.000
1.22 Issued by U.S. government sponsored agencies .....		0.000		0.000
1.3 Foreign government (including Canada, excluding mortgaged-backed securities) .....		0.000		0.000
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations .....		0.000		0.000
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations .....		0.000		0.000
1.43 Revenue and assessment obligations .....		0.000		0.000
1.44 Industrial development and similar obligations .....		0.000		0.000
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Guaranteed by GNMA .....		0.000		0.000
1.512 Issued by FNMA and FHLMC .....		0.000		0.000
1.513 Privately issued .....		0.000		0.000
1.52 CMOs and REMICs:				
1.521 Issued by FNMA and FHLMC .....		0.000		0.000
1.522 Privately issued and collateralized by MBS issued or guaranteed by GNMA, FNMA, or FHLMC .....		0.000		0.000
1.523 All other privately issued .....		0.000		0.000
2. Other debt and other fixed income securities (excluding short-term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO) .....		0.000		0.000
2.2 Unaffiliated foreign securities .....		0.000		0.000
2.3 Affiliated securities .....		0.000		0.000
3. Equity interests:				
3.1 Investments in mutual funds .....		0.000		0.000
3.2 Preferred stocks:				
3.21 Affiliated .....		0.000		0.000
3.22 Unaffiliated .....		0.000		0.000
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated .....		0.000		0.000
3.32 Unaffiliated .....		0.000		0.000
3.4 Other equity securities:				
3.41 Affiliated .....		0.000		0.000
3.42 Unaffiliated .....		0.000		0.000
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated .....		0.000		0.000
3.52 Unaffiliated .....		0.000		0.000
4. Mortgage loans:				
4.1 Construction and land development .....		0.000		0.000
4.2 Agricultural .....		0.000		0.000
4.3 Single family residential properties .....		0.000		0.000
4.4 Multifamily residential properties .....		0.000		0.000
4.5 Commercial loans .....		0.000		0.000
5. Real estate investments:				
5.1 Property occupied by the company .....		0.000	0	0.000
5.2 Property held for the production of income (includes \$ ..... of property acquired in satisfaction of debt) .....		0.000	0	0.000
5.3 Property held for sale (\$ ..... including property acquired in satisfaction of debt) .....		0.000	0	0.000
6. Policy loans .....		0.000		0.000
7. Receivables for securities .....		0.000	0	0.000
8. Cash and short-term investments .....	6,456,344	86.318	6,456,344	86.318
9. Other invested assets .....		0.000		0.000
10. Total invested assets	7,479,742	100.000	7,479,742	100.000

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

- 1.1

Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes [ X ] No [ ]
- 1.2

If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent, or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes [ X ] No [ ] NA [ ]
- 1.3

State Regulating?

Michigan
- 2.1

Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes [ X ] No [ ]
- 2.2

If yes, date of change:

06/03/2002

If not previously filed, furnish herewith a certified copy of the instrument as amended.
- 3.1

State as of what date the latest financial examination of the reporting entity was made or is being made.
- 3.2

State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.
- 3.3

State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).
- 3.4

By what department or departments?
- 4.1

During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity), receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.11 sales of new business?

Yes [ ] No [ X ]

4.12 renewals?

Yes [ ] No [ X ]
- 4.2

During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.21 sales of new business?

Yes [ ] No [ X ]

4.22 renewals?

Yes [ ] No [ X ]
- 5.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes [ ] No [ X ]
- 5.2

If yes, provide the name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile

- 6.1

Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action, either formal or informal, if a confidentiality clause is part of the agreement.)

Yes [ ] No [ X ]
- 6.2

If yes, give full information:
- 7.1

Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes [ ] No [ X ]
- 7.2

If yes,

7.21 State the percentage of foreign control;

7.22 State the nationality(s) of the foreign person(s) or entity(s) or if the entity is a mutual or reciprocal, the nationality of its manager or attorney in fact; and identify the type of entity(s) (e.g., individual, corporation or government, manager or attorney in fact).

1 Nationality	2 Type of Entity



GENERAL INTERROGATORIES  
(continued)

8.

What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?  
Ernst & Young LLP 71 Monroe Ave Suite 1000 Grand Rapids, MI 49503.....
9.

What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with a(n) actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?  
Milliman USA Consultants and Actuaries 5800 Bluemond Rd. Brookfield, WI 53005.....
10.

FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 10.1

What changes have been made during the year in the United States Manager or the United States Trustees of the reporting entity?
- 10.2

Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? .....
- 10.3

Have there been any changes made to any of the trust indentures during the year? .....
- 10.4

If answer to (10.3) is yes, has the domiciliary or entry state approved the changes? .....
- Yes [ X ]

No [ ]

Yes [ ]

No [ X ]

Yes [ ]

No [ ]

NA [ ]

BOARD OF DIRECTORS

11.

Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee thereof? .....

Yes [ X ]

No [ ]
12.

Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof? .....

Yes [ X ]

No [ ]
13.

Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees which is in or likely to conflict with the official duties of such person?.

Yes [ X ]

No [ ]

FINANCIAL

- 14.1

Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

14.11

To directors or other officers ..

\$ .....0

14.12

To stockholders not officers ...

\$ .....0

14.13

Trustees, supreme or grand (Fraternal only) .....

\$ .....0
- 14.2

Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):

14.21

To directors or other officers ...

\$ .....0

14.22

To stockholders not officers ....

\$ .....0

14.23

Trustees, supreme or grand (Fraternal only) .....

\$ .....0
- 15.1

Were any of the assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in this statement? .....

Yes [ ]

No [ X ]
- 15.2

If yes, state the amount thereof at December 31 of the current year:

15.21

Rented from others .....

\$ .....0

15.22

Borrowed from others .....

\$ .....0

15.23

Leased from others .....

\$ .....0

15.24

Other .....

\$ .....0
- Disclose in Notes to Financial Statements the nature of each of these obligations.
- 16.1

Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? .....

Yes [ ]

No [ X ]
- 16.2

If answer is yes,

16.21

Amount paid as losses or risk adjustment .....

\$ .....0

16.22

Amount paid as expenses .....

\$ .....0

16.23

Other amounts paid .....

\$ .....0

GENERAL INTERROGATORIES  
(continued)  
INVESTMENT

17. List the following capital stock information for the reporting entity:

Class	1 Number of Shares Authorized	2 Number of Shares Outstanding	3 Par Value Per Share	4 Redemption Price if Callable	5 Is Dividend Rate Limited? Yes No [ ] [ X ]	6 Are Dividends Cumulative? Yes No [ ] [ X ]
Preferred	.....0	.....0	.....0.000	.....0	[ ] [ X ]	[ ] [ X ]
Common	60,000	0	1.000	XXX	XXX XXX	XXX XXX

18.1. Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date, except as shown by Schedule E - Part 2 - Special Deposits? ..... Yes [ X ] No [ ]

18.2 If no, give full and complete information relating thereto:

19.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, except as shown on the Schedule E - Part 2 - Special Deposits; or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 15.1) ..... Yes [ ] No [ X ]

19.2 If yes, state the amount thereof at December 31 of the current year:

19.21

Loaned to others .....

\$ .....

0

19.22

Subject to repurchase agreements .....

\$ .....

0

19.23

Subject to reverse repurchase agreements .....

\$ .....

0

19.24

Subject to dollar repurchase agreements .....

\$ .....

0

19.25

Subject to reverse dollar repurchase agreements .....

\$ .....

0

19.26

Pledged as collateral .....

\$ .....

0

19.27

Placed under option agreements .....

\$ .....

0

19.28

Letter stock or other securities restricted as to sale ...

\$ .....

0

19.29

Other .....

\$ .....

0

19.3 For each category above, if any of these assets are held by others, identify by whom held:

19.31

n/a.....

19.32

n/a.....

19.33

n/a.....

19.34

n/a.....

19.35

n/a.....

19.36

n/a.....

19.37

n/a.....

19.38

n/a.....

19.39

n/a.....

For categories (19.21) and (19.23) above, and for any other securities that were made available for use by another person during the period covered by this statement, attach a schedule as shown in the instructions to the annual statement.

19.4 For category (19.28) provide the following:

1 Nature of Restriction	2 Description	3 Amount
.....	.....	.....
.....	.....	.....

20.1 Does the reporting entity have any hedging transactions reported on Schedule DB? ..... Yes [ ] No [ X ]

20.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? ..... Yes [ ] No [ ] NA [ X ]  
If no, attach a description with this statement.

21.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? ..... Yes [ ] No [ X ]

21.2. If yes, state the amount thereof at December 31 of the current year. .... \$ .....0

22. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1-General, Section IV.H-Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook?..... Yes [ ] No [ X ]

22.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
.....	.....
.....	.....

GENERAL INTERROGATORIES  
(continued)  
INVESTMENT

22.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

22.03 Have there been any changes, including name changes, in the custodian(s) identified in 22.01 during the current year?..... Yes [    ] No [ X ]

22.04 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

22.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address

OTHER

23.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any?..... \$.....0

23.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus during the period covered by this statement.

1 Name	2 Amount Paid
	\$ .....
	\$ .....
	\$ .....

24.1 Amount of payments for legal expenses, if any?..... \$.....0

24.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
	\$ .....
	\$ .....
	\$ .....

25.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$ .....0

25.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid
	\$ .....
	\$ .....
	\$ .....

GENERAL INTERROGATORIES  
(continued)

PART 2 - HEALTH INTERROGATORIES

1.1

Does the reporting entity have any direct Medicare Supplement Insurance in force?

Yes [ ] No [ X ]

1.2

If yes, indicate premium earned on U. S. business only

\$ 0

1.3

What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?

\$ 0

1.31

Reason for excluding

n/a

1.4

Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above.

\$ 0

1.5

Indicate total incurred claims on all Medicare Supplement Insurance.

\$ 0

1.6

Individual policies:

Most current three years:

1.61

Total premium earned

\$ 0

1.62

Total incurred claims

\$ 0

1.63

Number of covered lives

\$ 0

All years prior to most current three years:

1.64

Total premium earned

\$ 0

1.65

Total incurred claims

\$ 0

1.66

Number of covered lives

\$ 0

1.7

Group policies:

Most current three years:

1.71

Total premium earned

\$ 0

1.72

Total incurred claims

\$ 0

1.73

Number of covered lives

\$ 0

All years prior to most current three years:

1.74

Total premium earned

\$ 0

1.75

Total incurred claims

\$ 0

1.76

Number of covered lives

\$ 0

2.1

Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits?

Yes [ ] No [ X ]

2.2

If yes, give particulars:

3.1

Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and departments been filed with the appropriate regulatory agency?

Yes [ X ] No [ ]

3.2

If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered?

Yes [ ] No [ X ]

4.1

Does the reporting entity have stop-loss reinsurance?

Yes [ X ] No [ ]

4.2

If no, explain:

4.3

Maximum retained risk (see instructions)

4.31

Comprehensive Medical

\$ 250,000

4.32

Medical Only

\$ 250,000

4.33

Medicare Supplement

\$

4.34

Dental

\$

4.35

Other Limited Benefit Plan

\$

4.36

Other

\$

5.

Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:

HMO holds harmless provisions of provider contracts, trust indentures

6.1

Does the reporting entity set up its claim liability for provider services on a service data base?

Yes [ X ] No [ ]

6.2

If no, give details:

7.

Provide the following Information regarding participating providers:

7.1

Number of providers at start of reporting year

0

7.2

Number of providers at end of reporting year

1,485

8.1

Does the reporting entity have business subject to premium rate guarantees?

Yes [ ] No [ X ]

8.2

If yes, direct premium earned:

8.21

Business with rate guarantees between 15-36 months

8.22

Business with rate guarantees over 36 months

9.1

Does the reporting entity have Bonus/Withhold Arrangements in its provider contract?

Yes [ X ] No [ ]

9.2

If yes:

9.21

Maximum amount payable bonuses

\$0

9.22

Amount actually paid for year bonuses

\$0

9.23

Maximum amount payable withholds

\$0

9.24

Amount actually paid for year withholds

\$0

10.

List service areas in which reporting entity is licensed to operate:

1
Name of Service Area
Allegan County.....
Ottawa County.....
Kent County.....
Montcalm County.....
Mecosta County.....
Osceola County.....
Lake County.....

31

FIVE-YEAR HISTORICAL DATA

	1 2002	2 2001	3 2000	4 1999	5 1998
<b>BALANCE SHEET ITEMS (Pages 2 and 3)</b>					
1. Total admitted assets (Page 2, Line 23) .....	8,662,235	0	0	0	0
2. Total liabilities (Page 3, Line 18) .....	5,141,485	0	0	0	0
3. Statutory surplus .....	3,000,000	0	0	0	0
4. Total capital and surplus (Page 3, Line 26) .....	3,520,750	0	0	0	0
<b>INCOME STATEMENT ITEMS (Page 4)</b>					
5. Total revenues (Line 7) .....	9,222,575	0	0	0	0
6. Total medical and hospital expenses (Line 17) .....	8,286,426	0	0	0	0
7. Total administrative expenses (Line 19) .....	963,184	0	0	0	0
8. Net underwriting gain (loss) (Line 22) .....	(507,249)	0	0	0	0
9. Net investment gain (loss) (Line 25) .....	27,999	0	0	0	0
10. Total other income (Lines 26 plus 27) .....	0	0	0	0	0
11. Net income (loss) (Line 30) .....	(479,250)	0	0	0	0
<b>RISK - BASED CAPITAL ANALYSIS</b>					
12. Total adjusted capital .....	3,520,750	0	0	0	0
13. Authorized control level risk-based capital .....	552,965	0	0	0	0
<b>ENROLLMENT (Exhibit 2)</b>					
14. Total members at end of period (Column 5, Line 7) .....	22,202	0	0	0	0
15. Total member months (Column 6, Line 7) .....	74,677	0	0	0	0
<b>OPERATING PERCENTAGE (Page 4)</b> <b>(Item divided by Page 4, sum of Line 2, 3 and 5)</b>					
16. Premiums earned (Line 2 plus 3) .....	100.0	100.0	100.0	100.0	100.0
17. Total medical and hospital (Line 17) .....	89.8	0.0	0.0	0.0	0.0
18. Total underwriting deductions (Line 21) .....	105.5	0.0	0.0	0.0	0.0
19. Total underwriting gain (loss) (Line 22) .....	(5.5)	0.0	0.0	0.0	0.0
<b>UNPAID CLAIMS ANALYSIS</b> <b>(U&amp;I Exhibit, Part 2B)</b>					
20. Total claims incurred for prior years (Line 11, Col. 5) .....	0	0	0	0	0
21. Estimated liability of unpaid claims – [prior year (Line 11, Col. 6)]	0	0	0	0	0

FIVE-YEAR HISTORICAL DATA (Continued)

	1 2002	2 2001	3 2000	4 1999	5 1998
INVESTMENTS IN PARENT, SUBSIDIARIES AND AFFILIATES					
22. Affiliated bonds (Sch. D Summary, Line 25, Col. 1) .....	0	0	0	0	0
23. Affiliated preferred stocks (Sch. D Summary, Line 39, Col. 1) .....	0	0	0	0	0
24. Affiliated common stocks (Sch. D Summary, Line 53, Col. 2) .....	0	0	0	0	0
25. Affiliated short-term investments (subtotal included in Sch. DA, Part 2, Col. 5, Line 11) .....	0	0	0	0	0
26. Affiliated mortgage loans on real estate .....		0	0	0	0
27. All other affiliated .....		0	0	0	0
28. Total of above Lines 22 to 27	0	0	0	0	0

SCHEDULE D - SUMMARY BY COUNTRY

Long-Term Bonds and Stocks OWNED December 31 of Current Year					
Description		1 Book/Adjusted Carrying Value	2 Fair Value (a)	3 Actual Cost	4 Par Value of Bonds
<b>BONDS</b> Governments (Including all obligations guaranteed by governments)	1. United States .....	1,023,398	1,023,398	1,023,398	1,025,000
	2. Canada .....	0	0	0	0
	3. Other Countries .....	0	0	0	0
	4. Totals	1,023,398	1,023,398	1,023,398	1,025,000
States, Territories and Possessions (Direct and guaranteed)	5. United States .....	0	0	0	0
	6. Canada .....	0	0	0	0
	7. Other Countries .....	0	0	0	0
	8. Totals	0	0	0	0
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States.....	0	0	0	0
	10. Canada.....	0	0	0	0
	11. Other Countries .....	0	0	0	0
	12. Totals	0	0	0	0
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States .....	0	0	0	0
	14. Canada .....	0	0	0	0
	15. Other Countries .....	0	0	0	0
	16. Totals	0	0	0	0
Public Utilities (unaffiliated)	17. United States .....	0	0	0	0
	18. Canada .....	0	0	0	0
	19. Other Countries .....	0	0	0	0
	20. Totals	0	0	0	0
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States .....	0	0	0	0
	22. Canada .....	0	0	0	0
	23. Other Countries .....	0	0	0	0
	24. Totals	0	0	0	0
Parent, Subsidiaries and Affiliates	25. Totals	0	0	0	0
	26. <b>Total Bonds</b>	1,023,398	1,023,398	1,023,398	1,025,000
<b>PREFERRED STOCKS</b> Public Utilities (unaffiliated)	27. United States .....	0	0	0	
	28. Canada .....	0	0	0	
	29. Other Countries .....	0	0	0	
	30. Totals	0	0	0	
Banks, Trust and Insurance Companies (unaffiliated)	31. United States .....	0	0	0	
	32. Canada .....	0	0	0	
	33. Other Countries .....	0	0	0	
	34. Totals	0	0	0	
Industrial and Miscellaneous (unaffiliated)	35. United States .....	0	0	0	
	36. Canada .....	0	0	0	
	37. Other Countries .....	0	0	0	
	38. Totals	0	0	0	
Parent, Subsidiaries and Affiliates	39. Totals	0	0	0	
	40. <b>Total Preferred Stocks</b>	0	0	0	
<b>COMMON STOCKS</b> Public Utilities (unaffiliated)	41. United States .....	0	0	0	
	42. Canada .....	0	0	0	
	43. Other Countries .....	0	0	0	
	44. Totals	0	0	0	
Banks, Trust and Insurance Companies (unaffiliated)	45. United States .....	0	0	0	
	46. Canada .....	0	0	0	
	47. Other Countries .....	0	0	0	
	48. Totals	0	0	0	
Industrial and Miscellaneous (unaffiliated)	49. United States .....	0	0	0	
	50. Canada .....	0	0	0	
	51. Other Countries .....	0	0	0	
	52. Totals	0	0	0	
Parent, Subsidiaries and Affiliates	53. Totals	0	0	0	
	54. <b>Total Common Stocks</b>	0	0	0	
	55. <b>Total Stocks</b>	0	0	0	
	56. <b>Total Bonds and Stocks</b>	1,023,398	1,023,398	1,023,398	

(a) The aggregate value of bonds which are valued at other than actual fair value is \$ .....

SCHEDULE D - VERIFICATION BETWEEN YEARS

1. Book/adjusted carrying value of bonds and stocks, prior year .....	0	6. Foreign Exchange Adjustment:	
2. Cost of bonds and stocks acquired, Column 6, Part 3 .....	1,023,398	6.1 Column 17, Part 1 .....	0
3. Increase (decrease) by adjustment:		6.2 Column 13, Part 2, Sec. 1 .....	0
3.1 Column 16, Part 1 .....	0	6.3 Column 11, Part 2, Sec. 2 .....	0
3.2 Column 12, Part 2, Sec. 1 .....	0	6.4 Column 11, Part 4 .....	0
3.3 Column 10, Part 2, Sec. 2 .....	0		
3.4 Column 10, Part 4 .....	0	7. Book/adjusted carrying value at end of current period .....	1,023,398
4. Total gain (loss), Col. 14, Part 4 .....	0	8. Total valuation allowance .....	
5. Deduct consideration for bonds and stocks disposed of Column 6, Part 4 .....	0	9. Subtotal (Lines 7 plus 8) .....	1,023,398
		10. Total nonadmitted amounts .....	
		11. Statement value of bonds and stocks, current period .....	1,023,398

SCHEDULE T PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

		1	2	Direct Business Only			
				3	4	5	6
States, Etc.		Guaranty Fund (Yes or No)	Is Insurer Licensed? (Yes or No)	Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Program Premiums
1.	Alabama	AL	No	No			
2.	Alaska	AK	No	No			
3.	Arizona	AZ	No	No			
4.	Arkansas	AR	No	No			
5.	California	CA	No	No			
6.	Colorado	CO	No	No			
7.	Connecticut	CT	No	No			
8.	Delaware	DE	No	No			
9.	District of Columbia	DC	No	No			
10.	Florida	FL	No	No			
11.	Georgia	GA	No	No			
12.	Hawaii	HI	No	No			
13.	Idaho	ID	No	No			
14.	Illinois	IL	No	No			
15.	Indiana	IN	No	No			
16.	Iowa	IA	No	No			
17.	Kansas	KS	No	No			
18.	Kentucky	KY	No	No			
19.	Louisiana	LA	No	No			
20.	Maine	ME	No	No			
21.	Maryland	MD	No	No			
22.	Massachusetts	MA	No	No			
23.	Michigan	MI	No	Yes	204,846	9,037,569	
24.	Minnesota	MN	No	No			
25.	Mississippi	MS	No	No			
26.	Missouri	MO	No	No			
27.	Montana	MT	No	No			
28.	Nebraska	NE	No	No			
29.	Nevada	NV	No	No			
30.	New Hampshire	NH	No	No			
31.	New Jersey	NJ	No	No			
32.	New Mexico	NM	No	No			
33.	New York	NY	No	No			
34.	North Carolina	NC	No	No			
35.	North Dakota	ND	No	No			
36.	Ohio	OH	No	No			
37.	Oklahoma	OK	No	No			
38.	Oregon	OR	No	No			
39.	Pennsylvania	PA	No	No			
40.	Rhode Island	RI	No	No			
41.	South Carolina	SC	No	No			
42.	South Dakota	SD	No	No			
43.	Tennessee	TN	No	No			
44.	Texas	TX	No	No			
45.	Utah	UT	No	No			
46.	Vermont	VT	No	No			
47.	Virginia	VA	No	No			
48.	Washington	WA	No	No			
49.	West Virginia	WV	No	No			
50.	Wisconsin	WI	No	No			
51.	Wyoming	WY	No	No			
52.	American Samoa	AS	No	No			
53.	Guam	GU	No	No			
54.	Puerto Rico	PR	No	No			
55.	U.S. Virgin Islands	VI	No	No			
56.	Canada	CN	No	No			
57.	Aggregate other alien	OT	XXX	XXX	0	0	0
58.	Total (Direct Business)	XXX	(a) 1	204,846	0	9,037,569	0
DETAILS OF WRITE-INS							
5701.							
5702.							
5703.							
5798.	Summary of remaining write-ins for Line 57 from overflow page			0	0	0	0
5799.	Totals (Lines 5701 thru 5703 plus 5798) (Line 57 above)			0	0	0	0

Explanation of basis of allocation by states, premiums by state, etc.:

(a) Insert the number of yes responses except for Canada and Other Alien.



SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER AND HMO MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART

